

304.6-150 Commissioners reserve valuation method defined.

- (1) Except as otherwise provided in KRS 304.6-155 and 304.6-180, reserves according to the commissioners reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (a) over (b), as follows:

- (a) Net level annual premium. A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one (1) per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due. Such net level annual premium shall not exceed the net level annual premium on the nineteen (19) year premium whole life plan for insurance of the same amount at an age one (1) year higher than the age at issue of such policy.
- (b) Net one (1) year term premium. A net one (1) year term premium for such benefits provided for in the first policy year.

Provided that for any life insurance policy issued on or after January 1, 1986, for which the contract premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than such excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date defined herein as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than such excess premium shall, except as otherwise provided in KRS 304.6-180, be the greater of the reserve as of such policy anniversary calculated as described in the preceding subsection and the reserve as of such policy anniversary calculated as described in that subsection, but with the value defined in paragraph (a) of that subsection being reduced by fifteen percent (15%) of the amount of such excess first year premium, all present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date, the policy being assumed to mature on such date as an endowment, and the cash surrender value provided on such date being considered as an endowment benefit. In making the above comparison the mortality and interest bases stated in KRS 304.6-140 and 304.6-145 shall be used.

- (2) Reserves according to the commissioners reserve valuation method for:

- (a) Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums,
- (b) Group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as now or hereafter amended,
- (c) Disability and accidental death benefits in all policies and contracts, and
- (d) All other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, shall be calculated by a method consistent with the provisions of this section, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

Effective: July 15, 1982

History: Amended 1982 Ky. Acts ch. 263, sec. 11, effective July 15, 1982. -- Amended 1978 Ky. Acts ch. 280, sec. 3, effective June 17, 1978. -- Created 1970 Ky. Acts ch. 301, subtit. 6, sec. 15, effective June 18, 1970.